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Economic Conditions
Governmental Finance
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The International Conference.

THE outstanding event of world importance during the past month was the proposal of Secretary Hughes in behalf of the United States to the international conference upon the limitation of armaments. It was so direct, startling and conclusive in its provisions as to settle at the outset all doubts as to the purposes of this country, and commanded expressions of approval from all quarters. It dispelled the atmosphere of skepticism which commonly surrounds diplomatic conferences, and forthwith established confidence, that results of great importance would ensue.

The response that has been given by the delegates and by all organs of public opinion, not only in the countries represented but elsewhere, has afforded convincing evidence that public opinion the world over is ready for decisive action upon the subject of war and preparations for war. The people of all countries know that it is madness in the present state of industry and finance, and with the existing burdens of taxation, for the governments to go on expending vast sums upon armaments which in the end only balance each other, and increase rather than reduce the probability of another war.

It may be hoped, moreover, that the financial relief directly achieved may not be the only beneficial result of this effort to work together for common gains. The idea that the nations have a real community of interests, and that they not only have nothing to gain by making war on their neighbors, but that industrial depression or prosperity in one country inevitably reacts upon other countries, contains wonderful possibilities for the general good. The world has never before had such a convincing demonstration of this truth as it is witnessing at the present time. When that truth is fully assimilated, and the people of every country understand that an intelligent policy for the promotion of their own interests requires that like consideration shall be given to the interests of other countries, there will be no need of international agreements to prevent war.

Senator Schanzer, representing the government of Italy at the Conference, stated the situation very effectively in his response to the proposal by Secretary Hughes. He said:

> **"Modern civilization is an economic civilization and the modern world in spite of the distances and natural barriers, cannot be conceived except as a single great economic system. This economic system has been shattered by the war. It is necessary now to revise it and get it into motion again. We think that your proposal is the first effective step toward giving the world a release of such nature as to enable it to start the work of its economic reconstruction."**

And when such knowledge of common interests prevails in international relations there is every reason to believe that it will prevail in every day industrial relations as well. The principle is the same throughout all social relations. The latter are naturally and essentially cooperative, the interests that all groups and classes have in common being vastly more important upon all sides than the interests which seem to be in conflict.

General Business Conditions.

Industry and trade in general continued during November to make and hold the gains made in October, although there is evidence that part of this gain was seasonal and is now falling off. The unusually warm weather in all parts of the country during the latter part of November affected retail trade to a considerable extent. Holiday buying, however, is beginning to assert itself and will serve in some measure to compensate for the falling off in seasonable goods at this time.

The fundamental difficulty that has existed all through this year, that is, the disparity between the price of farm products and all raw materials and the price of manufactured goods, continues to hamper the return of industrial activity. Half of the population continues to have its buying power so seriously curtailed that any general improvement in trade while this condition remains is out of the question. In fact, the prices of some of the principal farm products made new lows during the past month, although showing an encouraging rally at the close.

The Railroad Labor Situation

The settlement of the railroad strike was not obtained under conditions which give much promise of permanency. The railroads have all given notice of an application to the Railway Labor Board for further wage reductions, but the Board has stated that these requests will not be considered until after many questions affecting working conditions can be decided. It is not expected that these decisions will be ready before the middle of next summer and there is an insistent demand from producers, manufacturers, shippers and consumers all over the country for a more prompt adjustment of these matters.

This situation illustrates the inadequacy of the machinery provided for the determination of rates, wages and working conditions on the nation's carriers. The roads have announced a reduction in all rates on agricultural products amounting to 10 per cent, to take effect at once. This is a hopeful step in the right direction, but the companies gave notice that the decreases will have to be suspended at the end of six months if wage reductions are not granted. It should be clear by this time that the railroad wage situation cannot be viewed or discussed solely from the standpoint of the roads and their workers. It profoundly affects the business and the prosperity of the country and cannot intelligently be viewed or considered without the effect on all lines of industry and the cost of living receiving due attention.

Influence of Supply and Demand Upon Wages.

It is nothing new to have the law of supply and demand pronounced a back number. Pronouncements of that kind have been appearing with great frequency for a long time, but it has always turned out that the law was working where the observers were not looking and in ways they did not understand. It may be suppressed for a time in one place, but it is like water on its way to the sea, it gets there eventually, no matter how much its course may be hindered.

The Committee on wages of the American Federation of Labor recently made a report to the Executive Council which contains the following:

> "The law of supply and demand has long since ceased to function in wage fixing, except under exceptional conditions, and the most acute suffering from arbitrary imposition of unscientific wage theories is found in industries where there is no organization of the workers, and where the voice of the employer constitutes final authority from which there is no appeal."

These views come quite naturally from men who are engaged constantly in contentions over money wages, and who are judged as successful or not according to the wage rates they are able to win. They are so close to wage rates that they see nothing else, but wage rates are not all of the wage question. The fact is that there never was a clearer demonstration of the impossibility of defeating the law of supply and demand than is afforded by the high wage rates and high state of unemployment existing in this country today.

The committee takes no account of the necessity for balanced relations between the industries or of the purchasing power of money wages, and unfortunately that has been true of many labor leaders in the present situation. The labor organizations have developed great power, largely by the aid and sympathy of the public, but they are using it in this crisis for obstructive purposes—to prevent the natural readjustments between the industries that are necessary to afford full employment for their own members. They are making the price of everything into which their labor enters so high that millions of consumers are unable to buy. It may appear that they are defeating the law of supply and demand by maintaining wage rates, but the law is having its way in the actual volume of wage payments. Wages are far from being maintained for the wage-earning population as a whole. That body as a whole would be better off with lower wage rates and more employment, and even those who now have employment would be compensated by the lower living costs. With such staples as flour, sugar, coffee, rice, meats and butter much below the prices of last year, liberal wage reductions can be made without reducing the standard of living, and they would accomplish still further reductions in the cost of living. It is evident that the balance must be restored before general prosperity can be regained.

Economic Law Governs

The law of supply and demand aided the wage-earners to get the wage advances made since 1914. It is impartial in its operations and irresistible in its rulings. Employers are no better able to defeat it than wage-earners. Early in this depression it was said that the price of iron and steel was so completely controlled that the industry was immune from extreme fluctuations and yet prices of iron and steel products on an average have fallen next to the products of agriculture, and when out-of-pocket costs are considered scarcely less than these.

The greatest gains to the wage-earning class have always come, in obedience to the law of supply and demand, when business was prosperous, capital was earning good returns and the accumulations were being invested in the enlargement of industrial works, thus creating new demands for labor. It is impossible for an industry to grow and attract labor to it without increasing wages. The automobile industry has been an example of one that has

grown rapidly, and in order to supply itself with labor has been obliged to pay above other industries. It never has been a unionized industry.

Individual employers might like to reduce wages, but anything like a general conspiracy to reduce wages for the purpose of increasing profits would be defeated by the very fact that profits were increasing. The competition of employers to enlarge their operations and employ their new capital would induce them to bid for labor. Not a dollar of the new capital could be put to any use without employing labor. Wage advances inevitably accompany capital accumulations, and on the other hand the greatest hardships to labor are experienced when capital is suffering losses, or, where, as in Russia the owners of capital are looted and industry is disorganized and prostrate. All schemes for arbitrarily increasing wage-rates come to nothing when there is no demand for labor.

The Money Market.

The money market has made but little response this fall to the usual seasonal demands, as the general tendency to liquidation has been releasing funds in sufficient amounts to meet them. Member bank loans have increased slightly, but the aggregate discounts of the Federal Reserve banks are lower than in August. There was a moderate outflow of funds from New York in September, October, and the first half of November, but of late the flow has been this way. The western and southern Federal Reserve banks which have been borrowing of the Boston, New York and Cleveland banks, are now reducing this indebtedness, and on the 16th it was down to $13,900,000.

The progress of banking liquidation is much more apparent in the condition of the reserve banks than in that of the member banks, as the latter naturally use the first free funds they get to reduce their own borrowings. Thus, while the aggregate of earning assets for all the reserve banks declined from $3,306,000,000 on November 19, 1920, to $1,482,000,000 on November 16, 1921, the aggregate earning assets of the member banks have declined in the same time only about 14 per cent.

The reduction in the holdings of the reserve banks of course makes a very great improvement in the reserve position of the banking system. The reserve banks are again becoming what they were intended to be, institutions with resources in reserve, able to support the entire banking situation in an emergency. Their reserve percentages are in marked contrast to what they were a year ago, being 68.3 per cent on November 16, against 39.1 per cent on November 19, 1920. The present figures look very high as compared with the former requirements of the national banking system, but it must be remembered that these reserves are calculated only upon the direct liabilities of the reserve banks while constituting practically the only reserves against the liabilities of all the banks in the country.

Progress of Liquidation

Liquidation has gone far with the eastern reserve banks, because they serve the industrial and trading communities, which have been running light and working down stocks of goods and materials. The western reserve banks have liquidated to a much less degree, on account of the great fall of farm products, and also because indebtedness in the west was heavier in proportion to current assets. A manufacturing concern usually has more working capital in proportion to the volume of its business than a farmer.

The active market for investment securities aids in the liquidation of the eastern banks, as houses with strong credit are able to put out issues of bonds or notes as a means of paying off bank loans. Instances of this kind are of daily occurrence, and are very helpful in clearing up the situation. All such developments are a part of the process of getting back to free and liquid banking conditions.

The activities of the War Finance Corporation are giving a considerable degree of relief to banks in the agricultural sections, using funds made available by appropriation from the United States Treasury. Of course the funds must be replaced in the treasury by borrowing in the public market, which amounts to a funding process similar to that described above, except that it is accomplished by the aid of a governmental agency instead of by the direct market borrowing of the parties interested.

As the member banks get themselves paid out of the reserve banks and have free funds for use, competition develops and the tendency is for interest rates to weaken. Six per cent is still the common rate to customers in this market, with a little better demand for commercial paper at 5 to 5½ per cent. Acceptances are 4¼ to 4½ per cent. Call loans, 4½ to 5½ per cent. Federal reserve discount rates range from 4½ per cent on all classes of paper at the Boston, New York and Philadelphia banks to 5½ per cent at the Richmond, Atlanta, Minneapolis and Dallas banks.

Gold Importations

Much comment is offered upon the importations of gold and the accumulations in the reserve banks. Some of the comments carry the idea that the reserve banks are reaching out for them and systematically withholding

them from use, but there is nothing in that. Gold comes to the country consigned to private parties, who deposit it in banks and the banks transfer it to the reserve banks to pay off their indebtedness there or to create balances against which they may borrow or draw currency. The reserve banks do not take the initiative in lending money, but they have been reducing their interest rates, which is the opposite from a policy of discouraging borrowers.

These growing gold reserves are unused simply because the public is still intent upon paying its old debts rather than upon making new ones. Confidence in the state of the world and in the prospects for business in this country has not yet revived to the point where it stimulates borrowing for new undertakings. The new gold reserves are simply dead assets.

Moreover, it should be added that these additions to the gold stock not only are not needed to carry on the business of this country, but would have a dangerous effect if made the basis of all the credit that might be based upon them. It must be borne in mind that this influx comes under extraordinary conditions and that a restoration of normal conditions abroad would involve a return of considerable amounts. The excess above our normal share of the world's supply would do this country more good if used in a helpful manner for placing Europe on its feet than by any purpose it will serve here.

No little speculation is indulged in as to the method by which this metallic stock may be used as the basis of credits to Europe. Probably the best way would be by lending the gold itself for the rehabilitation of their monetary systems, but that raises the question as to who will make the loans. Evidently the banks cannot invest deposits which they are under obligations to pay on demand in that manner. Such loans must be made by the depositors themselves, or, in other words, by the investing public.

Foreign Currencies.

The currencies of Europe are nearing a stage at which it will be impossible to use them as media of exchange. There is no well-defined line at the crossing of which a currency becomes worthless, but evidently it cannot continue to depreciate without reaching in time the point where the public will refuse to give anything for it. It is amazing how long a people will makeshift with money that is on the verge of becoming worthless, simply from the force of custom and because they have no substitute.

In Russia, the old unit, the rouble, formerly worth about 51 cents, now has a value so small that the old denominations have long since passed entirely out of use. Even a thousand rouble note of the new issues will not buy anything. As the depreciation has progressed the denominations have risen, 10,000, 50,000 and 100,000 rouble notes becoming the common change in use.

The Polish mark, nominally worth 23.8 cents in money of the United States, is quoted at .03 of a cent; the Austrian crown, formerly 20 cents, is only slightly higher; the crown of Jugo-Slavia, which corresponds to the Austrian unit, is worth a little more, about .36 of a cent; the crown of Hungary, of the same crown family, is worth about one-tenth of a cent, and the lei of Rumania, formerly 19.3 cents is worth .76 of a cent. These currencies are very near extinction, and live on only because there is nothing to take their places. It is difficult to see how business can be carried on with them, and particularly how any agreements for future performance can be entered into in terms of them. Even very small fluctuations in the value of these infinitesimal units would have very great affect in the value of commodities. How can any credit be given in terms of money? All past indebtedness is practically wiped out, and while that for the moment may benefit debtors as much as it injures creditors, how dare anyone take a creditor position for the future?

Currency Situation in Germany

Consider, for example, the situation in Germany, where six months ago the mark was worth 1½ cents, and even three months ago was worth more than a cent, against a present value of about 35 hundredths of a cent.

It is true that the mark has not declined as rapidly in purchasing power within Germany as in the foreign exchanges. The relationship between internal prices and foreign exchange is indirect, but it is close enough to cause a steady decline in the value of the currency for internal use, resulting in strikes and wage-advances constantly. The most effective influence for bringing the internal value of the mark into line with its value in the exchanges is the cost of food. Germany is obliged to import grain, meats, cotton, wool and other necessaries entering into common consumption, and these imports must be paid for at the current rates of exchange. Since trade in these commodities is now free, the portions imported fix the prices for the home-grown supplies, as well, and the depreciation of the mark is soon reflected in the cost of living.

The increase in the volume of mark currency and its depreciation have reacted upon each other in a vicious cycle. The amount of this currency now outstanding is about 95,000,000,000 marks, which compares with

about 2,000,000,000 marks before the war, 35,000,000,000 marks at the close of 1919 and 68,000,000,000 at the close of 1920. The influence of this increase in the currency has been to depreciate its purchasing power, or in other words advance prices. The general advance of prices and cost of living increased the outlays of the government in operating the state railways and carrying on all its functions, and as revenues were not increased correspondingly, the Treasury deficit was increased, and met by printing more currency, the effect of which was further depreciation, and so on around again.

The final influence in bringing the mark currency to its present state has been the reparations payments. Although there has been a decided revival of German foreign trade, the exports of the country are now only about one-fourth of what they were in 1914, and the surplus of exports over imports has not been sufficient to meet the reparations payments. The German government has been compelled to resort both to shipments of gold from the Reichsbank reserves and to the purchase of foreign exchange, both actions tending to depreciate the currency.

Public opinion in Germany has been pessimistic since the Silesian decision, and there are so many parliamentary groups in the Reichstag that the cabinet is unstable and probably without assured power to make a definite foreign policy. In the face of a most critical situation the country appears to be drifting.

The Collapse of Paper Currencies

Included in the above-named countries is much the greater part of Europe, and it is important to know what effect further changes in their currencies will have upon their foreign trade and internal life. They apparently have not the resources within themselves to enable them to get out of the fatal cycle of currency inflation and currency depreciation. A government must continue to function and must pay its way with something. These governments do not seem to be able to increase revenues fast enough to catch up with the depreciation of their currencies and give them a chance to stop the printing presses. It must be recognized also that there is a tendency for revenues to fall off in all countries, owing to business depression. It is a question whether any government in Europe will pay its way out of revenues this year, and not altogether certain that the government of the United States will do it. The war raised the costs of government as well as all industrial costs, and disorganized the entire social and industrial system.

Social Demoralization

Moreover, the temper of the people is such as to make them less responsive to governmental policies and to governmental authority than in the past. There is lacking the old habit of obedience to requirements of the governments which involve self-denial and hardship. The situation calls for a high spirit of loyalty to the social organization, a willingness to accept hard conditions, and to co-operate in reorganizing industry, reducing government expenditures and submitting to increased taxation. The public, however, generally fails to comprehend the necessity for such measures, and finance ministers who attempt to adopt them fail to receive necessary support from the legislative bodies.

Modern, highly-organized industry has been developing to what it is over a long period of time. Money has been one of the chief features and agencies of its development, for specialized industry is impossible without money. The science of money is not a matter of common knowledge, although the subject is one upon which people are very ready to form offhand opinions. Unfortunately, the idea is prevalent that the organization of society has been shaped and dominated in the past by the so-called governing classes to their own advantage and the disadvantage of the masses, with the result that qualified leadership is to a great extent discredited.

Must Have a Medium of Exchange

It is impossible to conceive of a country without a currency of some kind, and until something better is provided it appears that, as the depreciated currencies sink lower and lower the countries will have to follow the example of Russia in abandoning the old denominations and printing larger ones, or the example of France in 1796, when the paper currency known as assignats having apparently reached the limits of depreciation, a new currency known as mandats was issued, one mandat to have the value of thirty assignats.

All such devices are only descending steps to repudiation, or temporary expedients, with or without plans for the future. The situation must grow worse, for it cannot be otherwise than that the steady depreciation of the currency will undermine the confidence of the public, and curtail the use of credit. Modern business is done largely by the use of credit and by means of contracts or agreements for the delivery of commodities or the performance of services, to be paid for in money at some date in the future. If there is no confidence in the future value of money, production and employment must be seriously interfered with and grave social conditions ensue. The population of Europe is too great

for the people to go back to the primitive conditions in which each family lives on the land and supplies its own wants by its own labor or barter with its neighbors.

The Fundamentals of Currency

The fundamental requirements for currency reform in the European situation are that the currency shall be divorced from the fiscal needs of the governments and that paper money shall be redeemable in something that all the world esteems of real value. Apparently there is no way out for most of the countries referred to above but by cutting loose entirely from the old currencies which have become so vast in volume and so depreciated in value that they would sink any new monetary system that attempted to become responsible for them. Their fate will have to be left to the future. Once the governments are on their feet financially some plan for disposing of the old issues, by funding operations or otherwise, may be possible, but the new system should start free from every such incubus.

The committee of the League of Nations, in attempting to deal with Austria has planned a new central bank with note issues based upon a gold reserve, although nothing has been done about it yet, because certain claims upon the Austrian government by other governments must be postponed by consent to enable the Austrian government to provide a share of the capital.

Other plans for banking organizations on a gold basis have been proposed. Mr. Vanderlip has proposed one for a great international banking corporation which would have subsidiary national banks in the several countries.

These plans have the great merit of offering a currency not involved in the government finances, and not attached to the great mass of outstanding issues. It is assumed that the public everywhere would welcome an opportunity to do business in terms of gold, and that gradually business would be shifted to the new basis. It is believed that in all of these countries there are considerable amounts of gold in hiding that would come to the new institutions, and that outside capital would improve the opportunity to enter the countries and do business on a gold basis. The banks would be rallying posts for all interests desiring to co-operate in the introduction of sound money in those countries.

The difficulties attendant upon any such change are great, but somehow the change must be made. As for the danger that gold would be withdrawn from the new banks for export, obviously it would have to be the policy of the banks not to incur any obligations that were not offset by gold assets, either in hand or in the shape of foreign credits. This would seem to limit their business in the beginning to very small proportions, but there does not appear to be any other way that a new beginning can be made. The new institution must not be entangled in any discredited system.

Vindication of the Gold Standard

The state of the currencies at the present time and the chaos of the exchanges should give to many people a better understanding of the services which the gold standard has rendered to the world in the past, and expose conclusively the futility of the schemes for a paper currency without provisions for redemption.

When the gold standard was in effect in all the principal countries the currencies of those countries were in practically fixed relations to each other. The inhabitants were doing business upon a common plane of values. They had a common language of prices. The price of wheat in Odessa, Buenos Aires, Sydney, Bombay, Budapest, Liverpool and Chicago was quoted practically in terms of a common measure, the grain of gold. For the vast majority of international transactions, exchange varied within the cost of shipping gold from one country to another, and never exceeded it by more than a very small margin. Contracts could be entered into for future dates with a certainty that, barring some very unusual disturbance, these exchange conditions could be relied upon.

There are always critics of the existing order of things and there were critics of the gold standard. It was said to give the bankers control over the volume of money, but while that was untrue, now that the volume of money has been free and uncontrolled for a few years most people would like to see some kind of control established. The gold standard did not give control to anybody, but it put some restrictions upon the operations of printing-presses. Under the gold standard, the profits of bankers in exchange operations were reduced to amazingly small percentages, but without the gold standard trading in foreign exchange is so hazardous that nobody can engage in it without large margins to cover the risks of the business.

The fallacy of all the arguments for irredeemable paper currency have been exposed again, as they have been time after time in the past.

These arguments are born anew to every generation, in the minds of men who think they are original ideas. This time they have been exposed, not in one country alone but in dozens of countries. The results have not been due to particular errors by one country's administrators, but are seen to be inherent in the system. The paper currencies of Europe have cost the people far more than all the direct

expenditures upon the war, and have involved them in a state of disorder and misery from which they do not see any way of escape.

The French Assignats.

There never has been a situation before in which so many countries and so great a population were involved in a paper currency crisis as at the present time, but there have been numerous cases where single countries have suffered from the paper money delusion. One of the most conspicuous cases in history is that of the experience of the French revolutionary government in 1790-96. The government finances were in bad condition and general industrial and trade conditions were disturbed by the revolution and the social changes which it inaugurated. It was said that business was stagnant for want of an ample circulating medium.

There was strong opposition due to previous experience with paper money, but it was finally over-ridden by a plan to issue 400,000 livres, based upon the lands that had been confiscated from the Church, with a provision that they should bear interest at 3 per cent, which was expected to retire any notes that might be redundant. They were called assignats, on account of the pledge of lands.

The first effect of this issue was stimulating, but, within four months, money was as "scarce" as before, and a demand sprang up for more. The dose was doubled by an issue of 800,000 more, accompanied by a pledge that this would be the last. In a short time, however, the same need for more was manifest, and by 1796, when the craze had run its course and all issues were swept out as worthless, the total amount of assignats outstanding was forty thousand millions. Near the end, twenty-five hundred millions of mandats were issued, but these also became worthless in a few months. Finally, the legal tender enactments for both assignats and mandats were simply repealed and they ceased to circulate. Gold and silver came back into use without any further action by the government, as they had been legal tender all of the time but driven from circulation by the irredeemable paper money.

Discussion by Dr. Andrew D. White

The most notable discussion of the assignats in the English language has been a paper prepared by Hon. Andrew D. White, for many years the distinguished President of Cornell University. He gave the paper to a close friend, John Mackay, of Canada, who printed it for private distribution, but unfortunately it has never been published for general sale. Much of the information it contains, however, is given in the book upon "Money," by Francis A. Walker, late President of the Massachusetts Institute of Technology.

We have taken a few extracts from Dr. White's story of the assignats, which although disconnected are sufficient to show that that experience with inflation developed the same symptoms with which the world is familiar today.

*** * * No irredeemable currency has ever claimed a more scientific and practical guarantee for its goodness and for its proper action on public finances. On the one hand, it had what the world recognized as a most practical security,—a mortgage on productive real estate of vastly greater value than the issue. On the other hand, as the notes bore interest, there seemed cogent reason for their being withdrawn from circulation whenever they became redundant. * * ***

*** * * The first result of this issue was apparently all that the most sanguine could desire: the treasury was at once greatly relieved; a portion of the public debt was paid; creditors were encouraged; credit revived; ordinary expenses were met, and, a considerable part of this paper money having thus been passed from the government into the hands of the people, trade increased and all difficulties seemed to vanish. * * * But soon there came another result: times grew less easy; by the end of September, within five months after the issue of the four hundred millions in assignats, the government had spent them and was again in distress. The old remedy immediately and naturally recurred to the minds of men. Throughout the country began a cry for another issue of paper. * * ***

*** * * Prudhomme's newspaper poured contempt over gold as security for the currency, extolled real estate as the only true basis and was fervent in praise of the convertibility and self-adjusting features of the proposed scheme. In spite of all this plausibility and eloquence, a large minority stood firm to their earlier principles; but on the 29th of September, 1790, by a vote of 508 to 423, the deed was done; a bill was passed authorizing the issue of eight hundred millions of new assignats, but solemnly declaring that in no case should the entire amount put in circulation exceed twelve hundred millions. * * ***

*** * * Yet each of these issues, great or small, was but as a drop of cold water to a parched throat. Although there was already a rise in prices which showed that the amount needed for circulation had been exceeded, the cry for "more circulating medium" was continued. The pressure for new issues became stronger and stronger. * * * During the various stages of this debate there cropped up a doctrine old and ominous. * * * This was the doctrine that all currency, whether gold, paper, leather or any other material, derives its efficiency from the official stamp it bears, and that, this being the case, a government may relieve itself of its debts and make itself rich and prosperous simply by means of a printing press.**

But for the moment, the French manufacturers derived great advantage from this state of things. As their products could be so cheaply paid for, orders poured in from foreign countries to such a degree that it was often difficult for the manufacturers to satisfy their customers. It is easy to see that prosperity of this kind must very soon find its limit. * * * When a further fall in the assignats took place this prosperity would necessarily collapse, and be succeeded by a crisis all the more destructive the more deeply men had engaged in speculation under the influence of the first favorable prospects. * * *

*** * * Various bad signs began to appear. Immediately after each new issue came a marked depreciation; curious it is to note the general reluctance to assign the right reason. The decline in the purchasing power of paper money was in obedience to the simplest laws in economics, but France had now gone beyond her thoughtful statesmen and taken refuge in unwavering optimism, giving any explanation of the new difficulties rather than the right one. * * ***

A very common explanation was indicated in Prudhomme's newspaper, "Les Revolutions de Paris" of January 17, 1791, which declared that coin "will keep rising until the people shall have hanged a broker." * * *

Still another troublesome fact began now to appear. Though paper money had increased in amount, prosperity had steadily diminished. In spite of all the paper issues, commercial activity grew more and more spasmodic. Enterprise was chilled and business became more and more stagnant. * * *

Thus came a collapse in manufacturing and commerce, just as it had come previously in France; just as it came at various periods in Austria, Russia, America, and in all countries where men have tried to build up prosperity on irredeemable paper. * * * There had come a complete uncertainty as to the future. Long before the close of 1791 no one knew whether a piece of paper money representing a hundred livres would, a month later, have a purchasing power of ninety or eighty or sixty livres. The result was that capitalists feared to embark their means in business. Enterprise received a mortal blow. Demand for labor was still further diminished; and here came a new cause of calamity: for this uncertainty withered all far-reaching undertakings. The business of France dwindled into a mere living from hand to mouth.

*** * * The consequences of these over-issues now began to be more painfully evident to the people at large. Articles of common consumption became enormously dear and prices were constantly rising. Orators in the Legislative Assembly, clubs, local meetings and elsewhere now endeavored to enlighten people by assigning every reason for this depreciation save the true one. They declaimed against the corruption of the ministry, the want of patriotism among the Moderates, the intrigues of the emigrant nobles, the hard-heartedness of the rich, the monopolizing spirit of the merchants, the perversity of the shopkeepers, —each and all of these as causes of the difficulty.**

*** * * To spread terror, the Criminal Tribunal at Strassburg was ordered to destroy the dwelling of anyone found guilty of selling goods above the price set by law. The farmer often found that he could not raise his products at anything like the price required by the new law, and when he tried to hold back his crops or cattle, alleging that he could not afford to sell them at the prices fixed by law, they were frequently taken from him by force and he was fortunate if paid even in the depreciated fiat money,— fortunate, indeed, if he finally escaped with his life.**

*** * * It will doubtless surprise many to learn that, in spite of these evident results of too much currency, the old cry of a "scarcity of circulating medium" was not stilled; it appeared not long after each issue, no matter how large.**

Interesting is it to note in the midst of all this the steady action of another simple law in finance. Prisons, guillotines, enactments inflicting twenty years imprisonment in chains upon persons twice convicted of buying or selling paper money at less than its nominal value, and death upon investors in foreign securities, were powerless.

But on the 18th of February, 1796, at nine o'clock in the morning, in the presence of a great crowd, the machinery, plates and paper for printing assignats were brought to the Place Vendome and there, on the spot where the Napoleon Column now stands, these were solemnly broken and burned.

*** * * And finally, as to the general development of the theory and practice which all this history records; my subject has been Fiat Money in France; How it came; What it brought; and How it ended.**

It came by seeking a remedy for a comparatively small evil in an evil infinitely more dangerous. To cure a disease temporary in its character, a corrosive poison was administered, which ate out the vitals of French prosperity.

It progressed according to a law in social physics which we may call the "law of accelerating issue and depreciation." It was comparatively easy to refrain from the first issue; it was exceedingly difficult to refrain from the third and those following was practically impossible.

It brought, as we have seen, commerce and manufactures, the mercantile interest, the agricultural interest, to ruin. It brought on these the same destruction which would come to a Hollander opening the dykes of the sea to irrigate his garden in a dry summer. It ended in the complete financial, moral and political prostration of France—a prostration from which only a Napoleon could raise it.

Inflation in the United States.

The state of the currency which now exists in a large part of Europe, and the story of the assignats throw light upon our bank credit inflation in the United States, for inflation is practically the same in essence and effects whether it comes through paper currency or credit that passes by means of bank checks. In either case the mischief is done by the increase of circulating credit without relation to the production of commodities entering into trade.

Inflation had its start in the United States during the war, when great amounts of bank credit were brought into use for the flotation of government loans and in response to the demands of business which was over-stimulated. After the war, following five months of slackening demands, business was again over-stimulated. The demand for commodities appeared to exceed the supply, prices rose, more credit was wanted from the banks, and the latter at first thinking it necessary to support the revival of the peace industries responded. It soon developed, however, that the increase of bank loans was financing a competitive struggle for labor and goods and forcing both wages and prices higher, in the same manner that issues of paper money would operate.

In other words, the increasing amount of purchasing power put into effect by bank loans was depreciating the value of all money, including gold itself. Under ordinary conditions, with the rest of the world on the gold basis, as before the war, such an increase of bank loans in the United States accompanied by rising prices, would have turned the trade balance against this country, caused exports of gold, and by the loss of bank reserves compelled a restriction of lending, but with the trade balance heavily in our favor this steadying influence was not in effect.

The Stand Against Inflation

By the fall of 1919 the United States was in the grip of a cycle of rising prices and wages which began to alarm careful observers. The railroad brotherhoods gave notice in August of their intention to strike unless wages were raised to compensate for the advancing cost of living. The movement for higher wages was general and it was apparent that the higher wages when granted would again increase the cost of living, and that there would be no stopping place if the influence of inflation was given free play.

The country at that time was at the parting of the ways. The reserves of the Federal Reserve banks were down practically to the limit set by the Federal Reserve act—a limit fixed with careful and unbiased judgment when the act was passed before the war. The Federal Reserve act provides that the reserve requirements may be suspended for a period of thirty days and that such suspension may be renewed for periods not exceeding fifteen days, but these are clearly emergency provisions. Moreover, the law provides that a graduated tax shall be levied upon the amount by which these reserves fall below the regular limit, and also that the rate of the tax shall be added to the regular discount rates while the deficiency continues. These provisions clearly show the purpose and spirit of the law.

The banking situation had practically reached the position where the law required these provisions to become effective, and all signs indicated that unless inflation was checked they must become automatically effective very shortly.

Criticism of the Reserve System

These were the existing conditions when the Federal Reserve authorities in November, 1919, after several public warnings, caused the first advance of discount rates to be made with a view to checking inflation. The movement was a very cautious one, and it was not until May, 1920, that any of the discount rates reached 7 per cent.

It has been charged that the Federal Reserve authorities and other bankers set out deliberately to deflate prices, but this is a misrepresentation. They set out to check the alarming increase of bank loans and to hold the volume of reserve bank liabilities within the limit fixed by the law. It should be apparent to everybody that they did not take action an hour too soon. If they had not acted when they did the mandatory provisions of the law would have compelled action at an early day, and under the law the tax of not less than one per cent per annum would have been added to the regular discount rates. That would have been more drastic than the policy actually pursued by the Reserve Board.

Moreover, it should be said that while the reserve requirements might have been modified by act of Congress, to permit the increase of loans to go on, such action would have opened the way to precisely the course of inflation, currency depreciation and general demoralization which has taken place in Europe, and which is described by Andrew D. White in the case of the assignats. There was no better place to stop the tide of inflation than at the point fixed in the law, unless indeed, it might have been stopped earlier.

Effect of Restriction Upon Prices

The increase of discount rates did not accomplish an immediate cessation of the growth of loans. The highest point for loans both in the member banks and Federal Reserve banks was reached in the fall of 1920. The affect of this advance of rates upon prices is not clear, for our decline of prices began in many lines by the Spring of 1920. Undoubtedly money had been growing tighter. As the member banks used up their own lending capacity and faced the necessity of rediscounting if they granted further loans, they would naturally become more conservative, as they should be. There was, however, no general decline of loans until after prices had begun to decline.

A decline of loans after prices began to fall was inevitable. In the first place, falling prices have the effect of diminishing deposits, and it is the volume of deposits upon which the banks mainly rely for ability to make loans. Shrinking deposits compelled the banks to reduce their loans to obtain the means of meeting their own obligations.

It has been said that the Federal Reserve system was established for the purpose of meeting an emergency of that kind, but this is confusing an emergency in the affairs of a single bank or a limited number of banks with a general movement throughout the system. The Federal Reserve banks depend for their own resources chiefly upon the deposits kept with them by the member banks. They could not on the strength of their own capital undertake to carry the entire banking system of the country. As the member banks lost deposits the reserve banks also lost deposits.

It is not pleasant for borrowers to be obliged to pay off loans in hard times, but that is one of the possibilities that borrowers should take into consideration. If they borrow funds which the banks hold temporarily, they must expect to return them if the banks are obliged to return them.

Another reason why loans decline in a time of falling prices is that the responsibility of borrowers is affected. Falling prices diminish the resources of borrowers, and it is well understood that if the collateral or individual responsibility behind a loan changes unfavorably, it is proper to ask for more security or a reduction of the loan. The people who borrow of banks usually do so in the expectation of using the money profitably. If they succeed the profit is all their own; the bank does not share in it. The banker has an obligation to the public to conduct his business on a safe basis, in order that he may meet his own engagements.

Agricultural Territory Aided

The prevailing opinion in many parts of the country has been that the agricultural districts have been discriminated against, or failed to receive the amount of aid they were entitled to, but the record shows this not to be the case.

An analysis of reports from about 9,500 member banks throughout the country, has been made by the Federal Reserve Board, and the banks classified as located in agricultural, semi-agricultural and non-agricultural territory, according to the relative importance of agriculture to other industries. The resulting summary shows that between May 4, 1920, and April 28, 1921, the loans and discounts of banks in agricultural counties throughout the country declined $36,500,000, or slightly more than 1.2 per cent; the loans and discounts of banks in semi-agricultural counties declined $18,700,000, or 1.3 per cent; and the loans and discounts of banks in non-agricultural counties declined $827,100,000, or 5.6 per cent. The borrowings from the Federal reserve banks by banks in agricultural counties increased $127,600,000, or 56.6 per cent; borrowings by banks in semi-agricultural counties remained practically stationary; and borrowings by banks in non-agricultural counties declined $629,100,000, or 28.5 per cent.

The New Tax Bill.

The new revenue bill is not very highly praised by its sponsors, being a compromise in which nobody secured enough of what he wanted to make him satisfied. Those who proposed the immediate repeal of the tax upon business profits are disappointed, and so are those who wished to reduce the income surtaxes to 32 per cent. On the other hand those who opposed any reductions in these taxes and wished to increase the estate taxes, were disappointed.

The new bill will produce less revenue than the old one, as expenditures are lessening, but it makes little change in the policy of very heavy levies upon large incomes. The idea of putting the taxes upon the rich does not diminish in popularity. Of course no one would argue that the rich should not pay according to their wealth, or even against moderately progressive rates, but prevalent opinion plainly does not take into account all of the consequences of taking so large a proportion of the incomes of men who are accustomed to provide capital for industry. There is in general slight appreciation of the fact that large incomes for the most part are turned back into industrial development, enabling men of unusual business ability and enterprise to carry forward the plans which their active brains are always devising, and which promote the general prosperity. At the very time when this measure of unrelenting severity becomes a law, Henry Ford is demonstrating the value of wealth to the common welfare by his proposal to utilize the Muscle Shoals power plant and put a million men at work there. His proposal differs only in degree from what all men of large incomes are trying one way or another to do.

There will be no scientific system of taxation until the people realize the public value of capital accumulations. Depreciation in industry is an enormous item in the country's annual bill for replacements and renewals, to say nothing of the need for the extention of old enterprises and the inauguration of new ones. It is necessary that there shall be a large fund of constantly accumulating capital, or the industrial machine will gradually wear out and run down.

There is grave reason to fear that the worst of the difficulties of government finance has not yet been seen. That is threatened by the soldiers' bonus bill which looms up ominously. The country is in no condition to meet this enormous expense, either by taxation or loans. By any method that may be adopted, the raising of the sum required will draw heavily upon the resources of the country when they are already strained apparently to the limit.

The ter Meulen Plan.

Sir Drummond Fraser, member for Great Britain, of the International Commission appointed by the League of Nations to inaugurate the ter Meulen plan of international credits, was the guest of the American Bankers' Association at its annual convention at Los Angeles in October, and made an address setting forth the plan. He did not offer it as a panacea for all the ills of Europe, but as affording the best plan yet devised for mobilizing the available credit resources of the would-be borrowing countries, and this view is generally accepted by those who heard him.

The Plan contemplates that parties desiring to import goods from another country, and particularly where a time credit is desired, shall lay before the International Commission whatever security they desire to offer and that this security shall be examined by the Commission and a value in gold fixed upon it. This having been done, the government of the importing country will issue its own bonds, in terms of the money of the exporting country and loan them to the importer to be offered as collateral for the purchase money obligations. This proceeding produces a combination of private and government credit, with the entire transaction supervised by the International Commission. In case of default,

the pledged security is to be in the custody of the Commission. The government bonds are differentiated from other government issues in that they are backed by specific security, supplied by private parties. The loan of government bonds is intended to secure the cooperation of the importer's government in the collection of the debt, and to supply an additional guaranty. It is true, of course, that the ter Meulen Plan does not solve the very difficult exchange situation, which at this time is the chief obstacle to trade. It does not attempt to deal with this except as by making provision for the best obtainable class of time credits it may make possible a considerable amount of trade without the necessity for immediate settlements.

Sir Drummond Fraser's address was very well received by the convention, which adopted the following resolution:

"Believing that the restoration of normal conditions in the world and in our own country depends upon the re-establishment of a proper balance between nations, and that the cooperation therein of the United States is desirable and necessary for the re-establishment of normal conditions in American business life, we approve the principles of the plan for an International Credit Organization, known as the ter Meulen Plan. This plan offers a means of mobilizing the assets of the war stricken countries under responsible international supervision, and of issuing bonds based on these assets, thereby enabling them to secure long term credits for the payment of essential imports. The Commerce and Marine Commission of the Association is hereby directed to make the necessary investigations for the purpose of recommending the best means of cooperation on the part of this Association in carrying out the principle of the ter Meulen Plan."

The Bond Market.

The past month has witnessed the most active demand for bonds since last Fall and prices have shown wide advances in practically every class of security. On the Stock Exchange for the week ending November 5th, total sales aggregated $96,818,000, of which $49,000,000 were United States Government Bonds. This compares with $69,825,000 for the preceding week and $61,721,000 for the week ending November 12th in which there were two Stock Exchange holidays. The main cause of the advance in United States Government Bonds was the reduction in the rediscount rates of Federal Reserve banks and the successful sale of the 4¼ per cent and 4½ per cent Certificates of Indebtedness. An indication of the rapid advance in the Government issues is shown in the following quotations:

Issue	Low since Jan. 1, 1921	Recent High	Advance
First Liberty 3½% Bonds..	86	95.40	9.40
Second Liberty Conv. 4¼% Bonds	85.30	94.90	9.60
Third Liberty 4¼% Bonds....	88	96.92	8.92
Fourth Liberty 4¼% Bonds	85.34	95.20	9.86
Victory 4¾% Notes................	95.56	99.92	4.36
Victory 3¾% Notes..............	95.80	99.86	4.06

Municipals and Foreign Governments

Municipalities are continuing their financing and each week brings to the market a substantial amount of new issues. Rates, however, are declining and this is evidenced by the performance of some recent issues. A short time ago an issue of state bonds was offered on a 5.20 per cent basis for serial maturities. The last $2,000,000 of the block were purchased by a group which re-offered them on a 5 per cent basis and the present market on these same bonds is a 4.80 per cent basis. On a thirty-year maturity this is an advance of six points and is indicative of the general municipal situation. Some of the larger cities of New York State are contemplating offering during the next few weeks 4½ per cent coupons and while this is a little in advance of quotations today it would not be surprising to see these bonds sell at or above par.

The high-rate foreign government issues have been in excellent demand, several of the issues selling well above the callable prices of the next few years. Some of the more noteworthy advances from the low prices of this year are:

Belgium	8s—96¾-105
Bergen	8s—93¼-105
Berne	8s—92⅞-107
Chile	8s—92 -102
Copenhagen	5½s—72 - 86
Danish Municipal	8s—85½-106½
Sweden	6s—81¾- 96½
Zurich	8s—94 -106

There have been a few new issues of foreign government 8s which have been rapidly absorbed and prices have materially advanced.

Railroad Issues

Railroad issues have enjoyed a similar enhancement in value and an excellent indication of the market are the Chicago, Burlington & Quincy Joint 6½s which were originally offered at 96½, the present quotation being 106½-107. It will be recalled that the first block of equipments which the Railroad Administration sold to New York bankers was offered on a 5⅞ per cent basis. A little later the market weakened and the equipments were traded on a 6 per cent basis. Last week a block of $2,000,000 of the short equipments were offered by a New York group at prices ranging from 5.65 per cent to 5.75 per cent basis. It is understood that the Railroad Administration has sold a total of about $109,000,000 of their original holdings of $310,000,000.

Public Utilities

Public utility bonds have been in strong demand and the advance is perhaps more marked than in other classes of securities. For a few months back the general public was very apathetic to public utility issues as a

whole and many of the older outstanding issues were quoted considerably below their intrinsic value. Recent issues of public utilities, however, indicate an entire change of sentiment with the result that the large issues which have been offered during the past few months are selling at a substantial premium and the entire public utility market has broadened to a point where the older 5 per cent issues are now regaining their former popularity. The most striking example of the demand for public utilities is evidenced in the oversubscription of the $50,000,000 New York Telephone Twenty-year 6 per cent Bonds which were originally offered at 97 and before the books were closed were quoted on the Curb at 98½, the market on the day of allotment being 100½. The syndicate managers received 67,912 subscriptions, totaling $488,000,000 and it was necessary to resort to $100 denominations in the final allotment, orders for $2,500 or less receiving 20 per cent with a minimum of $100 and subscribers for $75,000 or more received 5 per cent with a minimum of $7,500.

It is an especially noteworthy fact that of the 67,912 subscriptions to these bonds over 54,000 were for $5,000 or less, and over 25,000 were for $1,000 or less. Here is the capitalist class that is financing industry today.

The General Market

Bankers have been predicting for some time past the end of the 7 per cent and 8 per cent bonds but the amount of financing to be done continued in such volume that the market could not absorb the new securities with enough promptness to insure higher prices. During the past few months there has been a scarcity of new issues with the result that the demand from investors, institutions and corporations has taken the floating supply of bonds out of the market and higher prices have inevitably followed. There is another important development in the investment situation and that is the growth in the number of bond distributors throughout the United States. At the recent New Orleans Convention of the Investment Bankers Association there were over seven hundred and fifty investment dealers registered from practically every city in the United States. This means that every nook and corner of our entire country is thoroughly canvassed through the agencies of the large national houses and the local dealers and the new issues are split up into very small parts in the hands of a great many individuals.

The advance of the past few weeks should, therefore, not be a surprise to the investing public for it has been anticipated for several months past and there is every indication that prices have moved to a higher level and will continue there for some time to come. In this connection it is interesting to note that a comparison of the average prices of fifteen representative railroad, public utility and industrial issues since 1906 shows that the average low prices of these issues in 1907 was 2½ points higher than the present high prices, while the average low for the rails in 1907 was 5 points higher than present high prices for the same issues. The low for public utilities in 1906 was 2 points higher than the high prices of today. The recent advances, therefore, have not yet carried the standard issues above the low prices of the past fifteen years and these indicators would seem to answer most conclusively in the negative the question so often asked today—"Are bond prices advancing too rapidly?"

The combined average of forty rails, public utilities and industrials as reported by the Wall Street Journal November 18th is 81.80 compared with 78.79 for October 18, 1921, and 76.90 for November 18, 1920.

Guaranty of Bank Deposits.

The State of Oklahoma has had the questionable distinction of having inaugurated the system of establishing a guaranty for bank deposits by means of a fund provided by a tax on deposits. The theory is that of insurance, but it has certain fundamental weaknesses which are more serious in their effects upon banking than in their relation to most other kinds of business to which insurance is applied. Insurance is sound as a protection against unavoidable hazards, but dangerous whenever it tends to increase the hazards. The insurance or guaranty of bank deposits tends to increase the hazards by eliminating the value of character as a banker's asset. It tends to make all banks look alike to the public, and puts the careful, conservative banker, who is unwilling to make large promises and take large chances, at a disadvantage.

The theory is at fault in placing more emphasis upon the payment of depositors after a bank has failed than upon preventing failure. Its weakness always develops in a crisis, and reports from Oklahoma show that the system is in a bad way at the present time. Under the law the levy for the guaranty fund cannot exceed one-fifth of one per cent annually upon the deposits held by all banks in the system. When the fund is exhausted the guaranty commission issues warrants drawing 6 per cent interest, as a means of making further payments. The outstanding warrants now amount to about $2,250,000, and the interest upon them will absorb nearly the full annual assessment, leaving little or nothing for their redemption. Moreover, many of the larger banks are retiring from the system by taking out national charters.

World Paper Currency and Gold Reserve, 1914 to 1921

By O. P. Austin

Statistician, The National City Bank of New York

The world flood of paper currency shows signs of abatement. While it is true that the third peace year has witnessed extremely large additions to the paper currency of a limited number of countries and that the face value of world paper as a whole is thus much greater than in 1920, it is also true that a large proportion of the countries of the world have made no increases in their paper currency in the last year and that in at least a dozen principal countries a reduction in the amount outstanding is apparent as compared with conditions one year ago. To what extent the reduction in prices and the slowing down of business activities, with the consequent reduction in demand for currency are responsible for this check in world inflation can scarcely be determined, but it is at least true that the paper currency of a dozen leading countries stands at a smaller total today than a year ago. And in most of those countries the gold reserves shows a greater or less increase in the same period. This "honor roll" of the countries which have actually decreased their paper currency in the third peace year includes the United States, Great Britain, France, Italy, Switzerland, Netherlands, the Scandinavian nations, Egypt and Canada, their total of paper currency having been reduced about $2,000,000,000 at its face value in the last twelve months, while their total gold reserve has increased about $1,000,000,000 in the same period.

Whether this increase in the gold reserve in the countries which have reduced their outstanding paper currency is due in any considerable degree to the disposition of gold to emerge from its "hiding" during the war, cannot be determined, but it is a fact that the aggregate gold reserve of the 36 principal countries of the world for which figures are presented in the accompanying tabulation shows in 1921 an increase of about 20 per cent over the 1919 aggregate for the same countries, and 12 per cent above the 1920 total.

While, as above indicated, many of the countries of the world have shown a disposition in the last year to reduce their paper currency, the large increases occurring in a few countries where conditions are still distinctly abnormal, notably, Poland, Germany, Austria, Hungary and Rumania, have more than offset the reduction which has occurred in the dozen other countries already enumerated, and the face or par value of the outstanding paper currency of the world now stands at $123,000,000,000 as against $82,000,000,000 in 1920, $55,000,000,000 in 1919, $40,000,000,000 in 1918, and $7,500,000,000 in 1914. And while the quantity of gold reserve visible in 1921 is 8¼ billion dollars as against 7¼ billions in 1920, the ratio of total gold to total paper is, in 1921, lower than at any earlier year, standing in the aggregate of the 36 countries named at 7 per cent of gold to paper against 15 per cent in 1919, 18 per cent at the close of the war, and 63 per cent at its beginning. In the tabulation which follows all currencies have been reduced to U. S. dollars at their par or normal values.

CURRENCY NOTES AND GOLD RESERVE IN 36 PRINCIPAL COUNTRIES OF THE WORLD IN 1914, 1918, 1919, and 1921

(In Millions of Dollars U. S. Currency.)

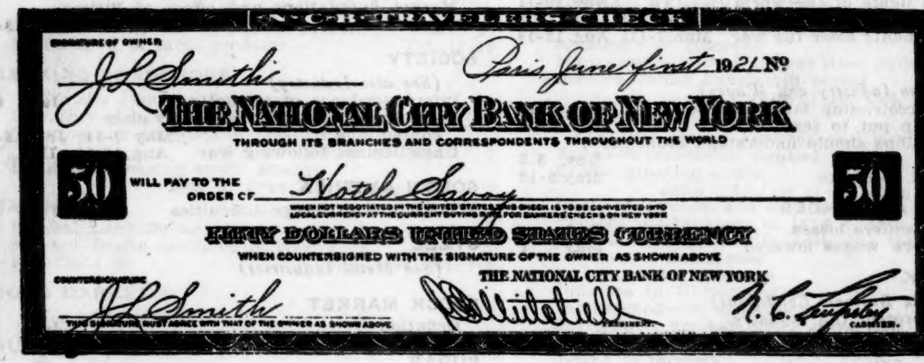
	1914		1918		1919		1921	
	Gold	Notes	Gold	Notes	Gold	Notes	Gold	Notes
Argentina ..	$235	$428	$379	$494	$394	$513	$453	$578
Australia ...	29	48	85	255	86	260	a 112	a 277
Austria Hungary } b	254	464	53	7,206	52	10,099	1 1	19,100 4,500
Belgium ...	53	180	...	.....	51	909	52	1,180
Brazil	c 125	175	38	560	44	582	24	a 554
Bulgaria	27	32	12	342	9	476	7	615
Canada	155	210	201	468	203	534	190	447
Chile	i	i	18	42	37	75	42	60
Colombia ...	i	i	9	.....	5	10	25	16
Czo-Slovakia	...	...	...	.....	i	a2,090	280	2,260
Denmark ..	20	42	51	115	52	130	61	129
Ecuador	5	2	4	6	5	10	e 5	e 10
Egypt	8	13	16	198	17	301	16	150
Finland ...	7	24	8	213	8	205	8	272
France f...	806	1,301	665	5,951	710	7,286	690	7,160
Germany g..	298	692	621	4,127	266	7,561	260	24,300
Greece c ...	47	39	277	221	347	266	268	362
Italy h	167	521	156	2,721	157	3,628	161	4,110
Japan	106	159	330	401	389	532	540	511
Jugo-Slavia...	...	...	...	.....	...	.....	15	880
Netherlands..	66	126	282	439	256	420	241	408
Mexico	i	335	56	i	63	i	87	. i
New Zealand	30	10	40	30	39	36	40	39
Norway	14	33	33	110	40	115	30	101
Peru	20	i	28	34	32	25	a 30	a 34
Poland	...	...	...	.....	2	1,620	5	36,414
Portugal ...	6	83	9	265	10	400	9	667
Rumania ...	43	147	d 34	457	35	721	81	2,384
Russia j....	777	795	628	8,936	i	8,936	i	8,936
Spain	106	378	434	627	471	749	487	837
Sweden	28	60	75	211	81	194	75	166
Switzerland.	35	52	74	185	92	183	104	180
U. Kingdom	195	140	521	2,049	594	2,132	764	2,115
U. States..	1,023	1,056	2,199	3,643	2,107	4,051	2,944	3,637
Uruguay ...	15	8	42	44	51	55	57	56
Total of 36 countries named	4,682	7,553	7,380	40,350	6,759	55,104	8,184	123,445
Ratio of gold to notes ..		63.3		18.4		14.7		6.7

a 1920; b Figures of Austro-Hungarian Bank prior to 1920; figures for 1921 represent the Austrian Bank and the Hungarian Bank respectively, organized in 1920; c Includes holdings abroad not separately stated; d Exclusive of gold holdings abroad; e 1919; f 1914 includes gold held abroad; in subsequent years exclusive of gold held abroad; g Includes Darlehnskassenschein notes; h Includes bank and state issues; i No data; j No official data on Russian currency subsequent to October 1917. Bolshevik currency is stated in Associated Press dispatches from Moscow on October 30, 1921, at 5,750,000,000,000 rubles.

Economic Conditions, Governmental Finance, U. S. Securities

INDEX 1921

The Season for Travel—Plans for winter travel have begun to materialize. You, among others, have probably given much attention to your itinerary. Recreation and complete relief from the many irksome details of financing your trip will be had only when you adopt the most convenient and safest way to carry funds.



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